

M e m o r a n d u m

To: Peter McNamee, Executive Director Date: March 27, 2003

From: Charles Rufo, Manager Analyst: K. Udarbe
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **California Pro-Specs, Inc. dba Production Specialties <100**

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of state competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Moving to a High Performance Workplace
Stimulating exports/imports
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
 - Company Wide: 44
 - In California: 44
- Fringe Benefits: No
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$89,600
- Substantial Contribution: \$0
- Total ETP Funding: \$89,600
- In-Kind Contribution: \$56,816
- Reimbursement Method: Fixed-Fee
- County (ies) Served: Sacramento
- Duration of Agreement: 24 Months

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET01-0242 Retrainees	Sacramento	12/31/00 – 12/30/02	\$56,000	\$39,760	72%*

*Comments: 18 trainees have completed 90-day retention or 72% of the contract goal. This completion rate has been documented in the Monitoring Report which indicates the Contractor experienced unanticipated delays in the delivery of new equipment that affected the training of several employees. The proposed ETP contract is not expected to have the same outcome because most of the required equipment and facilities are already in place for the training.

NARRATIVE:

Owner and President Steve J. Luther founded California Pro-Specs, Inc., dba Production Specialties (PS) in 1984 in South Sacramento, California to manufacture wood parts for other manufacturers. In 1988, the company produced a line of curio cabinets for the retail market. Today, the company produces and sells a complete line of curio cabinets and custom furniture for customers nationwide.

The company is eligible for standard retraining under the Out-of-State Competition Provisions outlined under Title 22, California Code of Regulations, Section 4416(b) for industrially classified manufacturers retraining current employees.

The company's products are built to meet customer's design and quality specifications. PS states its major customers include Big Sky Carvers of Montana, Arts and Crafts Industries of Southern California and Furniture by Thurston of Grass Valley, California. Annual sales of curio cabinets are currently at \$1,000,000 and custom furniture orders are at \$1,500,000 annually.

In the curio cabinet industry, PS states that it competes with national companies such as Howard Miller (based in Michigan), Pulaski (North Carolina) and Reinisch Curios (Indiana) whose products are manufactured in and imported from China and other Asian countries. PS reports that its company's profit margins have progressively decreased over the last five years due to industry competition and the higher sales of lower-cost products from Asia.

The company reports that in order to remain competitive in the industry it needs to improve production efficiencies, reduce order lead times, improve product quality standards and increase sales in customized orders. Along with these objectives, PS wants to promote the "collector friendly" attributes of its cabinets such as airtight construction, special lighting options and modified shelving options.

NARRATIVE (continued):

According to the company, the plant, until recently, has been managed and operated without the benefit of computerized scheduling and Materials Resource Planning (MRP) systems, and without the use of modern woodworking machinery. This has resulted in higher cost of production compared to imported furniture, the company's inability to meet customer orders on a timely basis and constraints in its ability to grow with market demand.

Over the past 18 months, Production Specialties has invested in new wood processing shop-floor equipment and facility improvements. To date, the company has invested \$227,000 in new equipment, and the equipment upgrade is continuing through 2003.

Company management has also determined that in order to improve administrative and operating efficiencies, increase productivity and meet shorter lead times, a modern management information system is necessary. The selected system has recently been installed and it includes capacity scheduling, integrated materials, resource planning and activity-based accounting. Vantage Software is a fully integrated business management system that will provide the foundation upon which a high performance workplace will be built. This investment cost a total of \$205,000 for the software (Vantage and Microsoft Office), a new server (Compact ML340), a Scheduling Workstation, 11 computer workstations, technical installation and vendor training for the company's top management.

The company states that it expects these equipment investments and the proposed ETP training to provide the company the needed production capacity to meet customer demand and to compete with imported products in the industry.

Training Plan

Production Specialties has 44 employees and proposes to provide retraining to 28 employees. All training will be held in the company's classroom that has facilities for group training and the use of six computer workstations.

COMPUTER SKILLS: Lead production workers and clerical personnel and will be trained in File Management and Standard Editing Conventions for the proper preparation and interpretation of reports. This includes building proficiency in Microsoft Word/WordPad/Notepad, Microsoft Excel and Microsoft Outlook.

Production workers and clerical personnel will be cross-trained in the concepts and application of the Manufacturing Resource Planning (MRP) Vantage software in order to form a cohesive team capable of understanding and using the integrated system. The training includes topics in Order Estimation and Quoting, Job and Order Management, Shipping and Receiving, Inventory Management, Purchasing, Advanced Bill of Materials (BOM), Accounting, Vantage Data Collection and Customer Service.

MANUFACTURING SKILLS: Being a small business with a limited number of production personnel, the company proposes to cross-train production workers in Understanding Dispatch Lists, Understanding Work Orders, Logging In and Out of Jobs, Managing by Standards, BOM Procedures, Documentation and Verification, Engineering Change Control, Operation of Computerized Numerical Control Machinery (CNC) and Machine Maintenance.

CONTINUOUS IMPROVEMENT: In order to achieve the shift to a high performance workplace, production workers will be trained in Production Scheduling, Operations Analysis, Workflow Evaluation, Process Improvement and Management by Standards.

NARRATIVE (continued):

Supplemental Nature of Training

In its ETP funding proposal, Production Specialties states that it has provided training to its employees on the following topics: Management Organization And Chain Of Command; Responsibility By Department And Position; How To Verify And Document Operational Standards; and, How To Organize The Warehouse.

The new computer system and software are now installed and most of the new woodworking equipment has been delivered. With these in place, the company now wants to build upon the prior training to provide supplemental training to achieve its goal of becoming a high performance workplace.

Most of the company's production workers are from the local Hmong community and these workers are now only being introduced to business and accounting terms and concepts as well as computer usage.

The Vantage MRP Software has been introduced to the company President, the Controller and the Information Technology Officer through vendor training and software tutorials. These managers are not proposed ETP trainees. They will provide the in-house training of the production workers and clerical support. The ETP training is the final pilot training phase before using the MRP software in a "live" application. Prior training with the software tutorials used sample case studies provided by the vendor. The proposed training is supplemental because it will use representative products from Production Specialties' product line and actual shop floor data. Trainees will practice by simulating the software applications as if these were actual transactions. The trainees will learn their assigned roles, what is expected of them and what is expected of the software.

The prior ETP contract involved introducing the basic concepts of leadership, communication and MRP systems. The company does not have the budget to provide the training to achieve its move to a high performance workplace. On this basis, the company reports that its proposed ETP training program is supplemental training provided to its personnel.

In-Kind Contribution

Production Specialties is committed to provide in-kind contribution through the following:

Wages paid to trainees during training	\$51,116
Training materials at \$25 per trainee	\$ 700
Project development and needs assessment	<u>\$ 5,000</u>
Total	<u>\$56,816</u>

COMMENTS:

All the participants meet the Panel definition of frontline worker under Title 22 California Code of Regulations, Section 4400 (ee).

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities. This recommendation is based on the fact that the proposed training will support and promote of the manufacturing workforce of a California small business facing out-of-state competition.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 Retrainee<100	Menu Curriculum Computer Skills Continuous Improvement Manufacturing Skills	28	160	0	0	\$3,200	\$11.41 - \$15.00
					<u>Range of Hourly Wages</u> \$11.41 - \$15.00		
					<u>Prevalent Hourly Wage</u> \$12.00		
					<u>Average Cost per Trainee</u> \$3,200		
<u>Health Benefit used to meet ETP minimum wage:</u> N/A					<u>Turnover Rate</u> 19.1%	<u>% of Mgrs & Supervisors to be trained:</u> 0%	

Production Specialties II
Menu Curriculum

Class/Lab
160
Hours

Trainees will receive training in any of the following

COMPUTER SKILLS

Software Applications
Advanced Word/WordPad/Notepad
Advanced Microsoft Excel
Microsoft Outlook
File Management and Editing Conventions

Manufacturing Resource Planning
Job Management Module
Order Management Module
Shipping and Receiving Module
Inventory Management Module
Purchasing Management Module
Advanced BOM (Bill of Materials) Module
AR (Accounts Receivable) Module
AP (Accounts Payable) Module
GL (General Ledger) Module
Payroll Module
MRP (Material Requirements Planning) Module
Vantage Data Collection Module
Document Management Module
Estimating and Quoting
Customer Service

CONTINUOUS IMPROVEMENT

Production Scheduling
Operation Analysis
Workflow Evaluation
Process Improvement
Management by Standards
Team Building and Communication
Problem-Solving and Decision-Making

MANUFACTURING SKILLS

Understanding Dispatch Lists
Understanding Work Orders
Logging in and out of Jobs
What is Data Collection?
Managing by Standards
CNC Tool Programming
Operation of CNC Machinery
Procedure and BOM Documentation and Verification
Engineering Change Control
Machine Maintenance